

Message Text

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SUBJECT: COMMUNIQUE OF THE C-20

1. FOLLOWING IS THE COMMUNIQUE OF THE COMMITTEE OF THE
IMF BOARD OF GOVERNORS ON INTERNATIONAL MONETARY
REFORM AND RELATED ISSUES (C-20), RELEASED ON JUNE 13.

2. BEGIN QUOTE. THE COMMITTEE OF THE BOARD OF
GOVERNORS OF THE INTERNATIONAL MONETARY FUND ON REFORM
OF THE INTERNATIONAL MONETARY SYSTEM AND RELATED
ISSUES (THE COMMITTEE OF TWENTY) HELD ITS SIXTH AND
FINAL MEETING IN WASHINGTON ON JUNE 12-13, 1974, UNDER
THE CHAIRMANSHIP OF MR. ALI WARDHANA, MINISTER OF
FINANCE FOR INDONESIA. MR. JOHANNES WITTEVEEN,
MANAGING DIRECTOR OF THE INTERNATIONAL MONETARY FUND,
TOOK PART IN THE MEETING WHICH WAS ALSO ATTENDED BY
MR. GAMANI COREA, SECRETARY-GENERAL OF THE UNCTAD,
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MR. FREDERIC BOYER DE LA GIRODAY, DIRECTOR OF

MONETARY AFFAIRS OF THE EEC, MR. RENE LARRE, GENERAL MANAGER OF THE BIS, MR. EMILE VAN LENNEP, SECRETARY-GENERAL OF THE OECD, MR. OLIVIER LONG, DIRECTOR-GENERAL OF THE GATT, AND SIR DENIS RICKETT, VICE-PRESIDENT OF THE IBRD.

3. THE COMMITTEE CONCLUDED ITS WORK ON INTERNATIONAL MONETARY REFORM; AGREED ON A PROGRAM OF IMMEDIATE ACTION; AND REVIEWED THE MAJOR PROBLEMS ARISING FROM THE CURRENT INTERNATIONAL MONETARY SITUATION.

4. THE PROGRAM OF IMMEDIATE ACTION IS AS FOLLOWS:

(A) ESTABLISHMENT OF AN INTERIM COMMITTEE OF THE BOARD OF GOVERNORS OF THE FUND WITH AN ADVISORY ROLE, PENDING ESTABLISHMENT BY AN AMENDMENT OF THE ARTICLES OF AGREEMENT OF A COUNCIL WITH SUCH DECISION-MAKING POWERS AS ARE CONFERRED ON IT.

(B) STRENGTHENING OF FUND PROCEDURES FOR CLOSE INTERNATIONAL CONSULTATION AND SURVEILLANCE OF THE ADJUSTMENT PROCESS.

(C) ESTABLISHMENT OF GUIDELINES FOR THE MANAGEMENT OF FLOATING EXCHANGE RATES.

(D) ESTABLISHMENT OF A FACILITY IN THE FUND TO ASSIST MEMBERS IN MEETING THE INITIAL IMPACT OF THE INCREASE IN OIL IMPORT COSTS.

(E) PROVISION FOR COUNTRIES TO PLEDGE THEMSELVES ON A VOLUNTARY BASIS NOT TO INTRODUCE OR INTENSIFY TRADE OR OTHER CURRENT ACCOUNT MEASURES FOR BALANCE OF PAYMENTS PURPOSES WITHOUT A FINDING BY THE FUND THAT THERE IS BALANCE OF PAYMENTS JUSTIFICATION FOR SUCH MEASURES.

(F) IMPROVEMENT OF PROCEDURES IN THE FUND FOR MANAGEMENT OF GLOBAL LIQUIDITY.

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(G) FURTHER INTERNATIONAL STUDY IN THE FUND OF ARRANGEMENTS FOR GOLD IN THE LIGHT OF THE AGREED OBJECTIVES OF REFORM.

(H) ADOPTION FOR AN INTERIM PERIOD OF A METHOD OF VALUATION OF THE SDR BASED ON A BASKET OF CURRENCIES AND OF AN INITIAL INTEREST RATE ON THE SDR OF 5 PER CENT.

(I) EARLY FORMULATION AND ADOPTION OF AN EXTENDED FUND FACILITY UNDER WHICH DEVELOPING COUNTRIES WOULD RECEIVE LONGER-TERM BALANCE OF PAYMENTS FINANCE.

(J) RECONSIDERATION BY THE INTERIM COMMITTEE, SIMULTANEOUSLY WITH THE PREPARATION BY THE EXECUTIVE BOARD OF DRAFT AMENDMENTS OF THE ARTICLES OF AGREEMENT, OF THE POSSIBILITY AND MODALITIES OF

ESTABLISHING A LINK BETWEEN DEVELOPMENT ASSISTANCE AND SDR ALLOCATION.

(K) ESTABLISHMENT OF A JOINT MINISTERIAL COMMITTEE OF THE FUND AND WORLD BANK TO CARRY FORWARD THE STUDY OF THE BROAD QUESTION OF THE TRANSFER OF REAL RESOURCES TO DEVELOPING COUNTRIES AND TO RECOMMEND MEASURES.

(L) PREPARATION BY THE EXECUTIVE BOARD OF DRAFT AMENDMENTS OF THE ARTICLES OF AGREEMENT FOR FURTHER EXAMINATION BY THE INTERIM COMMITTEE AND FOR POSSIBLE RECOMMENDATION AT AN APPROPRIATE TIME TO THE BOARD OF GOVERNORS.

THESE MEASURES ARE DESCRIBED IN MORE DETAIL IN THE STATEMENT ATTACHED TO THIS COMMUNIQUE.

5. MEMBERS OF THE COMMITTEE EXPRESSED THEIR SERIOUS CONCERN AT THE ACCELERATION OF INFLATION IN MANY COUNTRIES. THEY AGREED ON THE URGENT NEED FOR STRONGER ACTION TO COMBAT INFLATION, SO AS TO AVOID THE GRAVE SOCIAL, ECONOMIC AND FINANCIAL PROBLEMS
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THAT WOULD OTHERWISE ARISE. THEY RECOGNIZED THAT, WHILE INTERNATIONAL MONETARY ARRANGEMENTS CAN HELP TO CONTAIN THIS PROBLEM, THE MAIN RESPONSIBILITY FOR AVOIDING INFLATION RESTS WITH NATIONAL GOVERNMENTS. THEY AFFIRMED THEIR DETERMINATION TO ADOPT APPROPRIATE FISCAL, MONETARY AND OTHER POLICIES TO THIS END. IN THE DISCUSSION MEMBERS OF THE COMMITTEE URGED THAT THE MULTILATERAL TRADE NEGOTIATIONS IN THE FRAMEWORK OF GATT SHOULD CONTINUE TO BE REGARDED AS A MATTER OF PRIORITY.

6. THE COMMITTEE NOTED THAT, AS A RESULT OF INFLATION, THE ENERGY SITUATION AND OTHER UNSETTLED CONDITIONS, MANY COUNTRIES ARE EXPERIENCING LARGE CURRENT ACCOUNT DEFICITS THAT NEED TO BE FINANCED.

THE COMMITTEE RECOGNIZED THAT SUSTAINED COOPERATION
WOULD BE NEEDED TO ENSURE APPROPRIATE FINANCING

WITHOUT ENDANGERING THE SMOOTH FUNCTIONING OF PRIVATE
FINANCIAL MARKETS AND TO AVERT THE DANGER OF
ADJUSTMENT ACTION THAT MERELY SHIFTS THE PROBLEM TO
OTHER COUNTRIES. PARTICULAR ATTENTION WAS DRAWN TO
THE PRESSING DIFFICULTIES OF THE MOST SEVERELY
AFFECTED DEVELOPING COUNTRIES. MEMBERS OF THE
COMMITTEE THEREFORE STRONGLY EMPHASIZED THEIR REQUEST
TO ALL COUNTRIES WITH AVAILABLE RESOURCES AND TO

DEVELOPMENT FINANCE INSTITUTIONS TO MAKE EVERY EFFORT
TO INCREASE THE FLOW OF FINANCIAL ASSISTANCE ON
CONCESSIONARY TERMS TO THESE COUNTRIES.

7. IN CONCLUDING ITS WORK ON INTERNATIONAL MONETARY
REFORM, THE COMMITTEE AGREED TO TRANSMIT A FINAL
REPORT ON ITS WORK, TOGETHER WITH AN OUTLINE OF
REFORM, TO THE BOARD OF GOVERNORS. THESE DOCUMENTS
WILL BE PUBLISHED SHORTLY. END QUOTE

8. THE DETAILED STATEMENT ON IMMEDIATE MEASURES
REFERRED TO IN THE ABOVE TEXT WILL FOLLOW BY AIRGRAM. SISCO

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